ISDA® JAPAN MONTHLY UPDATE

January 2010

COMMITTEE ACTIVITIES

CREDIT DERIVATIVES/OPERATIONS: Contact Kumi Namba (knamba@isda.org)

On January 6, ISDA hosted a call to discuss an overview of how to process the “old” restructuring credit event (such as recent Aiful case) via DTCC and the relevant Operational Best Practices. Summary notes and Q&A from the call was circulated on the following day.

On January 12, ISDA launched the 2010 Japan Corporate Calculation Agent City Protocol (CAC Protocol). The purpose of the Protocol is to enable parties to update the provisions of legacy single name Japan Corporate CDS transactions to match current trades. With the implementation of this protocol, the definition of "Calculation Agent City" for these legacy trades will be amended by deleting reference to London (or any other city which is not Tokyo) and replacing the reference with Tokyo. The adherence period run until January 22.

On January 14, ISDA hosted a call to discuss an overview of the Aiful Uniform Settlement Agreement (“USA”) process. USA is a contract signed by firms to avoid the operational burden of having to send or wait to receive credit event notices between the most active participants in the CDS market. The parties to a USA agree amongst themselves that a credit event notice is deemed to have been validly delivered for all covered credit derivative transactions between them which reference the relevant entity.

On January 20, ISDA hosted a call to discuss potential preparation of an additional CAC protocol with extended product coverage. As a follow up to the call, ISDA requested participants to provide views to determine (i) whether a sufficient number of market participants envisage making use of such an additional protocol and (ii) which transactions such market participants believe should be covered by any such additional protocol.

COLLATERAL: Contact Tomoko Morita (tmorita@isda.org)

Following the publication of the revised cabinet ordinances of the FIEA on collateral assets segregation rules, the collateral managers and compliance officers from members firms met to discuss the practical issues on January 27; the members exchanged views regarding how to implement the rules into practices.

REGULATORY: Contact Tomoko Morita (tmorita@isda.org)

On January 20, Japan FSA published the exposure draft of the revised Guidelines (*Kantoku Shishin*) regarding rules for investors protection i.e. accountability rules for OTC derivatives. The public comments due February 22.

On, January 21, Japan FSA published the document called “Development of Institutional Frameworks Pertaining to Financial and Capital Markets” that covers new regulatory framework relating to OTC derivatives. ISDA will continue dialogues with the FSA during the drafting process of the bill based on the framework.

On January 28, members’ meeting was held to exchange views with the Securities and Exchange Surveillance Commission (SESC) on risk management for CDS transactions, where the officials from the SESC made presentations about the results of hearings with the major broker dealers of Japanese CDS market and their considerations/thoughts after the hearings.

DOCUMENTATION/OPERATIONS: Contact Kumi Namba (knamba@isda.org)

On January 6, ISDA has published Supplement No. 19 to the 2006 ISDA Definitions provides for two additional JPY Floating Rate Options; JPY-LTPR-MHCB (long term prime rate) and JPY-STPR-Quoting Banks (short term prime rate).

EQUITY DERIVATIVES: Contact: Kumi Namba (knamba@isda.org)

On January 20, ISDA has published the Revised 2008 Japan Dividend Swap MCA as well as an amendment agreement form to the 2008 Japan Dividend Swap MCA. The new forms reflect the WG agreed changes regarding the scope of Material Non-cash Dividend.

WEATHER, COMMODITY & DEVELOPPING PRODUCTS: Contact Tomoko Morita (tmorita@isda.org)

ISDA attended the Study Group on OTC Commodity Derivatives hosted by the Ministry of Economy, Trade and Industry (METI) as an observer. The agenda for the first meeting was the clearing through central counterparties for commodity derivatives.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS/CONFERENCES

Credit Derivatives Committee (English language meeting)	**February 4**
Risk Management Committee (Japanese language meeting)	**tbd**